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FISCAL IMPACT STATEMENT

LS 6204

BILL NUMBER: HB 1271

NOTE PREPARED: Nov 7, 2010

BILL AMENDED:

SUBJECT: Criteria for Industrial Development Programs.

FIRST AUTHOR: Rep. Grubb

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that, in deciding whether to award a loan from the Industrial Development Fund, the Indiana Economic Development Corporation (IEDC) and the State Board of Finance may not: (1) require evidence of preliminary commitments to initiate or complete the program; or (2) base their decision on such evidence. It requires the Secretary of Commerce, in awarding grants from the Industrial Development Grant Fund, to use the same standards used for loans from the Industrial Development Fund. It provides that grants may be awarded for the construction of utilities or public infrastructure to improve the chance of securing future commitments for an industrial development program.

The bill provides that if a unit adopts an ordinance after June 30, 2011, to create an Economic Development District, a qualified industrial development project proposed for the district is not required to be supported by certain preliminary commitments. It provides that the IEDC, in determining preliminarily whether to authorize a district, may not base its determination on the likelihood that a proposed project will be initiated or accomplished.

The bill also updates references to certain federal statutes.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Summary* - The bill could potentially expand the pool of local government units and other qualified public and nonprofit entities that are able to qualify for grants and loans from the Industrial Development Grant Fund and the Industrial Development Fund. If the changes to the bill increase loan and grant applications, the IEDC could potentially incur additional administrative expenses.

Background Information - The bill prohibits the IEDC and the State Board of Finance from imposing certain requirements on local units and other public and nonprofit entities from qualifying for Industrial Development grants and loans. The bill prohibits the IEDC and State Board of Finance from requiring local units and other entities to provide evidence of preliminary commitments from business enterprises, associations, state or federal government units, or similar entities that demonstrate a reasonable likelihood that the proposed industrial development project will be initiated and accomplished. This change would apply only to industrial development programs submitted for approval after June 30, 2011.

In addition, the bill permits recipients of Industrial Development grants to use grant money for various development activities to improve the likelihood of securing future commitments of business or other entities to collaborate with the recipient in an industrial development program. This change would apply to grants awarded after June 30, 2011.

Under current statute, the Industrial Development Program provides loans to cities, towns, counties, economic development commissions, special taxing districts, small business investment companies, and minority enterprise small business investment companies. The loan proceeds must be used for industrial development programs including: (1) construction of airports, airport facilities, and tourist attractions; (2) the construction, extension, or completion of sewer lines, waterlines, streets, sidewalks, bridges, roads, highways, public ways, and information and high technology infrastructure; (3) the leasing or purchase of real and personal property; and (4) the preparation of surveys, plans, and specifications for the construction of publicly owned and operated facilities, utilities, and services.

The loans are made from the Industrial Development Fund, which is a revolving fund that does not revert to the state General Fund. (Note: Nonreverting amounts in the fund are limited to \$2 M.) The IEDC and the State Board of Finance jointly administer the fund. Under current law, outstanding loans to a single development program, generally, can not exceed \$1 M. As of October 25, 2010, the Industrial Development Fund had a balance of \$2.7 M. According to the IEDC, these funds are encumbered by existing loans.

Current statute allows grants to be made from the Industrial Development Grant Fund. These grants may be made to cities; towns; counties; economic development commissions; special taxing districts; nonprofit corporations; regional water, sewage, or solid waste districts; conservancy districts; and the Indiana Development Finance Authority. Grants may be used for industrial development programs similar to those for which industrial development loans may be used. The IEDC also administers the Industrial Development Grant Fund, which does not revert to the state General Fund. As of October 25, 2010, the Industrial Development Grant Fund had a balance of \$20.7 M. According to the IEDC, most of these funds have been awarded, and the balance available for new grants is less than \$2 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Summary - The bill could potentially increase the number of local units that qualify to establish an Economic Development District and, as a result, employ tax increment financing (TIF) within the district. This would allow the local unit to capture incremental property tax revenue generated from taxable property in the district and allocate that revenue to district purposes. (The incremental property tax revenue is revenue from assessed property valuation in excess of the base assessed value calculated before the establishment of the district.) The total local revenues collected by the local civil taxing units and school corporations would remain unchanged.

Background Information - The bill eliminates the requirement that a local unit's proposal for an Economic Development District be supported by preliminary commitments by business enterprises, associations, state or federal government units, or similar entities that evidence a reasonable likelihood that the proposed qualified industrial development project will be initiated and accomplished. Under current statute, this requirement must be met for the IEDC to certify the local unit creating the district. The requirement would be eliminated for a district approved by a local unit after June 30, 2011.

State Agencies Affected: IEDC; State Board of Finance.

Local Agencies Affected: Local units.

Information Sources: Auditor's Data; Eric Shields, IEDC, 317-234-3997.

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